

Town of Fort Frances
Consolidated Financial Statements
December 31, 2025

Town of Fort Frances
Contents

For the year ended December 31, 2025

Page

Management's Responsibility

Independent Auditor's Report

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Financial Assets.....	3
Consolidated Statement of Cash Flows	4

Notes to the Consolidated Financial Statements.....	5
--	----------

Schedules

Schedule 1 - Consolidated Schedule of Expenses by Object.....	19
Schedule 2 - Consolidated Schedule of Segmented Disclosure.....	20

Management's Responsibility

To the Mayor and Councilors of the Town of Fort Frances:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Council is composed primarily of members who are neither management nor employees of the Municipality. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Municipality's external auditors.

MNP LLP is appointed by the Mayor and Councilors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

May 25, 2026



Mayor



Treasurer

To the Mayor and Councilors of the Town of Fort Frances:

Opinion

We have audited the consolidated financial statements of the Town of Fort Frances and its subsidiaries (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2025, and the results of its consolidated operations, its consolidated remeasurement gains and losses, changes in its consolidated net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Municipality as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fort Frances, Ontario
May 25, 2026

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP

Town of Fort Frances
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
Financial assets		
Cash and cash equivalents <i>(Note 2)</i>	3,719,659	2,821,984
Portfolio investments <i>(Note 3)</i>	23,691,085	23,450,887
Accounts receivable	5,308,846	6,516,557
Property tax receivable	923,612	1,061,628
Investment in government business entities <i>(Note 4)</i>	6,897,005	6,743,048
Total of assets	40,540,207	40,594,104
Liabilities		
Accounts payable and accruals	6,703,568	4,161,545
Employee benefit obligations <i>(Note 6)</i>	97,132	111,443
Deferred revenue <i>(Note 7)</i>	3,523,633	3,760,428
Asset retirement obligations <i>(Note 8)</i>	2,676,137	2,605,033
Total of financial liabilities	13,000,470	10,638,449
Net financial assets	27,539,737	29,955,655
Non-financial assets		
Tangible capital assets <i>(Note 9)</i>	123,045,780	115,661,550
Inventories of supplies / Inventories held for use	625,692	568,676
Prepaid expenses	625,084	561,591
Land Held for Sale	1,297,664	1,349,664
Total non-financial assets	125,594,220	118,141,481
Accumulated surplus <i>(Note 10)</i>	153,133,957	148,097,136

Approved on behalf of the Council



Mayor



Treasurer

The accompanying notes are an integral part of these consolidated financial statements

Town of Fort Frances
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2025

	2025 Budget (Unaudited)	2025	2024
Revenue			
Property taxes	14,304,682	14,283,054	14,082,535
Government transfers <i>(Note 11), (Note 12)</i>	19,074,096	10,729,860	7,489,107
User fees and service charges	9,369,036	10,058,191	9,456,577
Investment income	172,000	1,159,107	1,181,805
Permits, licences, and fines	62,650	65,140	78,226
Other revenue <i>(Note 13)</i>	607,006	868,626	855,781
Municipal accommodation taxation	350,000	447,196	370,578
Income from Government Business Enterprises	-	153,957	35,830
	43,939,470	37,765,131	33,550,439
Program expenses			
General Government	2,846,310	4,821,880	3,630,337
Protection Services	4,899,593	5,408,719	4,888,846
Transportation Services	7,070,886	6,009,296	5,785,920
Environmental services	6,681,268	6,961,455	6,216,489
Health Services	2,017,642	1,994,793	1,917,156
Social and family services	380,590	369,832	360,176
Social Housing	1,029,000	1,027,345	964,298
Recreation and Cultural Services	5,376,921	5,428,264	5,337,882
Planning and Development	451,841	706,726	797,072
Total expenditures	30,754,051	32,728,310	29,898,176
Annual surplus	13,185,419	5,036,821	3,652,263
Accumulated surplus, beginning of year	-	148,097,136	144,444,873
Accumulated surplus, end of year	13,185,419	153,133,957	148,097,136

The accompanying notes are an integral part of these consolidated financial statements

Town of Fort Frances
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2025

	2025	2025	2024
Annual surplus	13,185,419	5,036,821	3,652,263
Acquisition of tangible capital assets	(29,719,165)	(13,206,371)	(6,924,707)
Amortization of tangible capital assets	7,200,000	5,776,352	5,578,780
Proceeds on sale of tangible capital assets	-	20,000	16,101
Proceeds on sale of land held for sale	-	52,000	227,674
Loss (gain) on disposal of tangible capital assets	-	25,787	796
Loss on disposal of land held for sale	-	-	123,154
	(22,519,165)	(7,332,232)	(978,202)
Acquisition of supplies inventories	-	(57,014)	(10,643)
Acquisition of prepaid expenses	-	(63,493)	(48,179)
	-	(120,507)	(58,822)
Increase (decrease) in net financial assets	(9,333,746)	(2,415,918)	2,615,239
Net financial assets, beginning of year	29,955,655	29,955,655	27,340,416
Net financial assets, end of year	20,621,909	27,539,737	29,955,655

The accompanying notes are an integral part of these consolidated financial statements

Town of Fort Frances
Consolidated Statement of Cash Flows

For the year ended December 31, 2025

	2025	2024
Operating activities		
Annual surplus	5,036,821	3,652,263
Non-cash items		
Amortization	5,776,352	5,578,780
Accretion	71,104	75,888
Gain (loss) on disposal of capital assets	25,787	796
Earnings (loss) from investment in business entities	(153,957)	(35,830)
	10,756,107	9,271,897
Changes in working capital accounts		
Accounts receivable	1,207,711	2,503,094
Inventory	(57,014)	(10,643)
Prepaid expenses and deposits	(63,493)	(48,179)
Taxes receivable	138,016	(313,226)
Accounts payable and accruals	2,542,023	(20,461)
Deferred revenue	(236,796)	324,150
Post-employment benefits	(14,311)	(13,353)
	14,272,243	11,693,279
Capital activities		
Purchases of tangible capital assets	(13,206,371)	(6,924,707)
Proceeds from disposal of tangible capital assets	20,000	16,101
	(13,186,371)	(6,908,606)
Investing activities		
Proceeds on disposition of land held for sale	52,000	227,674
Acquisition of land assets held for sale	-	123,154
Withdrawals from (investments in) portfolio investments	(240,197)	(6,799,342)
	(188,197)	(6,448,514)
Increase (decrease) in cash resources	897,675	(1,663,841)
Cash resources, beginning of year	2,821,984	4,485,825
Cash resources, end of year	3,719,659	2,821,984

The accompanying notes are an integral part of these consolidated financial statements

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

1. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial position for the year. Accumulated surplus represents the financial position of the Municipality, and is the difference between its assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and to meet its obligations.

Basis of Consolidation

The consolidation financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and boards which are owned or controlled by the Municipality. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Library Board
Waterworks
Business Improvement Area

A government partnership exists where the Municipality has shared control over the board or entity. The Municipality's pro-rata share of the assets, liabilities, revenues and expenditures are reflected in the consolidated financial statements using the proportionate consolidation method. No proportionate interest or government partnerships are reflected in the consolidated financial statements.

The following boards are not consolidated:

Northwestern Health Unit
District of Rainy River Services Board

Government business enterprises are separate legal entities which do not rely on the Municipality for funding. The Municipality's government business enterprises consist of investments in Fort Frances Power Corporation and Fort Frances Network Services Corporation. These investments are accounted for using the modified equity basis of accounting. Under this method, the government business enterprise's accounting policies, which follow Canadian generally accepted accounting principles for publicly accountable enterprises, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory

Inventory of supplies are recorded at the lower of cost or net replacement value.

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

1. **Significant accounting policies** *(Continued from previous page)*

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized on the statement of operations in the year in which it is used for the specified purpose.

Tangible capital assets

Tangible capital assets are initially recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible assets are recorded at their fair value at the date of contribution.

When conditions indicate that a tangible capital asset no longer contributes to the Municipality's ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the Municipality reduces the cost of the asset to reflect the decline in its value. Write-downs of tangible capital assets are not reversed.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<i>Method</i>	<i>Rate</i>
Land Improvements	straight-line	40 years
Buildings	straight-line	40 years
Machinery and Equipment	straight-line	10 to 15 years
Roads and bridges	straight-line	15 to 80 years
Water infrastructure	straight-line	40 to 80 years
Sewer infrastructure	straight-line	40 to 80 years
Vehicles	straight-line	7 to 12 years
Computer hardware and software	straight-line	5 years

Revenue recognition

Tax revenue

The Municipality recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; and the taxable event has occurred. For property taxes, the taxable event is the period for which tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the Municipality evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary. However, the total amount of tax revenue recognized may change due to future reassessments such as audits, appeals and court decisions.

User Fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Government Transfers

Government transfers, which include legislative grants, are recognized as revenue on the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue and recognized as revenue when the stipulations are settled.

1. **Significant accounting policies** *(Continued from previous page)*

School Boards

The Municipality collects taxation revenue on behalf of the school boards. The taxation, other revenue, expenditures, assets and liabilities with respect to the operation of the school boards are not reflected in these consolidated financial statements.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Municipality to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2025. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Retirement benefits and Other Employee Benefit Plans

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The estimates used in preparation of these consolidated financial statements are the useful lives of property, plant and equipment, the present value of the asset retirement obligations, the present value of the Municipality's employee post-retirement benefits and taxation revenue.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the consolidated financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

Trust Funds

Trust Funds held in trust by the Municipality, and their related operations, are not included in these consolidated financial statements. The financial activity and position of the Trust Funds are reported separately on the Trust Funds statement of continuity and balance sheet.

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

1. **Significant accounting policies** *(Continued from previous page)*

Financial instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

The Municipality subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments, etc. in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

2. **Cash and cash equivalents**

The balance of cash and cash equivalents reported on the consolidated statement of financial position is made up of the following:

	2025	2024
Unrestricted	1,610,508	1,165,778
Restricted by Council Resolution	2,109,151	1,656,206
	3,719,659	2,821,984

Certain surplus funds are set aside by by-laws or Council resolution for specific purposes and referred to as reserve funds. Cash and cash equivalents restricted by Council resolution represent assets that are maintained in respect of those reserve funds (Note 10).

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

3. Portfolio investments

	2025	2024
Internally restricted investments:		
Interest bearing savings account, variable interest, with a rate at year-end of 2.775% (2024 - 4.275%)	10,359,512	10,173,167
Bond funds held in a Canadian Bank (interest rates ranging from 4.333% to 6.534%)	6,812,910	5,968,628
Principal protected notes	3,708,896	2,500,000
Mutual funds held in a Canadian Bank	488	1,488,900
GIC, 5.05% annual interest rate (2024 - 5.05%), matured February 3, 2025	-	110,114
GIC, 3.45% annual interest rate (2024 - 3.45%), matured December 23, 2025	-	631,736
Non-interest bearing savings account	10,001	10,001
	20,891,807	20,882,546
 Externally restricted investments:		
Interest bearing savings account, variable interest, with a rate at year-end of 2.775% (2024 - 4.275%)	2,799,278	2,568,341
	23,691,085	23,450,887

Income from investments for the year was \$926,858 (2024 - \$931,995).

The Municipality's investments are all Level 1 investments with quoted prices in active markets. Fair market value for recognition and measurement purposes is based on the quoted prices. There are \$6,896 (2024 - \$11,100) of recognized unrealized losses on the Municipality's investments.

Restricted investments include investments restricted by Council resolution and externally restricted investments.

Certain surplus funds are set aside by by-laws or Council resolution for specific purposes and referred to as reserve funds. Investments restricted by Council resolution represent assets that are maintained in respect of those reserve funds (Note 10).

Externally restricted investments represent assets that are maintained in respect of deferred revenue (Note 5).

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Municipality is mainly exposed to interest rate risk in relation to its guaranteed investment certificates. The fair values of these investments are subject to changes based on fluctuations in the prevailing market interest rates.

Town of Fort Frances
Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. Investments in partnerships and government business entities

The Municipality has investments in the following entities:

	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>	<i>2025 Total investment</i>
Wholly-owned Businesses:			
Fort Frances Power Corporation	5,807,391	1,084,902	6,892,293
Fort Frances Network Services Corporation	1	4,711	4,712
	5,807,392	1,089,613	6,897,005

	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>	<i>2024 Total investment</i>
Wholly-owned Businesses:			
Fort Frances Power Corporation	5,807,391	920,297	6,727,688
Fort Frances Network Services Corporation	1	15,359	15,360
	5,807,392	935,656	6,743,048

The investment in Fort Frances Power Corporation was established for the purposes of distributing electrical power to the Town of Fort Frances. The Municipality holds 100% of the common shares of Fort Frances Power Corporation.

The investment in Fort Frances Network Services Corporation was established for the purposes of providing utility maintenance services to the Town of Fort Frances. The Municipality holds 100% of the common shares of Fort Frances Network Services Corporation.

Summary financial information for each business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Fort Frances Power Corporation As at December 31, 2025</i>	<i>Fort Frances Network Services Corporation As at December 31, 2025</i>
Assets		
Current assets	6,237,422	16,252
Regulatory assets	205,886	-
Future income tax assets	5,669	-
Property, plant and equipment	5,756,267	-
Total assets	12,205,244	16,252
Liabilities		
Current liabilities	3,812,580	11,540
Regulatory liabilities	1,500,371	-
Total liabilities	5,312,951	11,540
Net assets	6,892,293	4,712
Total revenue	12,377,389	721
Total expenses	12,212,784	11,369
Net income (loss)	164,605	(10,648)

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

5. Bank indebtedness

Bank indebtedness is secured by the annual By-Law from The Corporation of the Town of Fort Frances to authorize borrowing to meet current expenditures. The maximum authorized amount is \$4,000,000 and bears interest at the prime rate less 0.5%. As at 2025, \$NIL (2024 - \$NIL) was drawn under this facility.

6. Post-Employment Benefits Liabilities

Post-employment benefits liabilities reported on the consolidated statement of financial position are comprised of the following:

	2025	2024
Post-employment benefits liabilities	84,632	98,943
Life insurance coverage	12,500	12,500
	97,132	111,443

On February 4, 2011, the Municipality became responsible for providing the following post-retirement benefits on behalf of its eligible full-time employees who are members of the Fort Frances Professional Fire Fighters Association:

- Extended health care
- Dental benefits

The latest actual valuation was performed on December 31, 2025.

	2025	2024
Post-employment benefits Liabilities		
Accrued post-retirement benefits obligations	80,730	82,106
Unamortized actuarial gains	3,902	16,837
	84,632	98,943

The total expenses related to post-employment benefits liabilities include the following components:

	2025	2024
Current year service costs	3,769	3,628
Interest on accrued benefits obligations	2,990	3,405
Amortization of net estimation adjustments	(2,670)	(3,186)
	4,089	3,847
Benefits payments during the year	18,400	17,200

The significant actuarial assumptions adopted and estimated for the calculation of the accrued benefits obligations are as follows:

- Discount on accrued benefits obligations 4.30% (2024 - 3.90%)
- Dental cost trend rates 4.00% (2024 - 5.00%)
- Extended health care trend rates 6.58% (2024 - 5.60%)

As at December 31, 2025, the Municipality's post-retirement benefits were 100% unfunded.

Town of Fort Frances
Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

7. Deferred Revenue

	<i>Opening Balance</i>	<i>Contributions received</i>	<i>Externally Restricted Investment Income</i>	<i>Revenue Recognized</i>	<i>Ending Balance</i>
Federal and Provincial gas tax	1,483,355	558,428	49,805	(961,642)	1,129,946
OCIF	1,084,986	1,267,581	57,052	(740,287)	1,669,332
NORDS	365,595	185,742	15,734	(567,071)	-
Other	826,492	650,028	-	(752,165)	724,355
	3,760,428	2,661,779	122,591	(3,021,165)	3,523,633

Federal and Provincial Gas Tax

The Federal and Provincial Governments advance the Municipality funding related to gasoline tax. This funding must be spent on approved infrastructure projects. The funding can be deferred for a maximum of 5 years.

8. Asset retirement obligation

The Municipality is legally required to perform closure and post-closure activities upon retirement of the Municipality's solid waste landfill, which is estimated to be in 11 years. The Municipality recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of the solid waste landfill. The asset retirement cost is amortized on a straight line basis over the useful life of the landfill.

The Municipality estimated the amount of the liability using undiscounted future expenditures estimated to retire the tangible capital asset. The significant assumptions used to determine the best estimate of the liability include:

- The liability for the landfill has been estimated using a net present value technique with a discount rate of 3% (2024 - 3%). The estimated total undiscounted future expenditures are \$3,409,014 (2024 - \$3,409,014), which are to be incurred over 25 years.

	2025	2024
Balance, beginning of year	2,023,905	1,964,956
Accretion	60,717	58,949
Balance, end of year	2,084,622	2,023,905

The Municipality is legally required to perform abatement of asbestos within certain properties owned by the Municipality. The Municipality recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of related tangible capital assets. The asset retirement cost is amortized on a straight-line basis over the useful life of the related tangible capital assets.

The Municipality estimated the amount of the liability using undiscounted future expenditures estimated to retire the tangible capital asset. The significant assumptions used to determine the best estimate of the liability include:

- The liability for the abatement of asbestos has been estimated using a net present value technique with a discount rate of 3% (2024 - 3%). The estimated total undiscounted future expenditures are \$2,220,446 (2024 - \$2,220,446), which are to be incurred over the next 59 years. It is estimated that the liabilities will be fully settled in the December 31, 2083 fiscal year.

	2025	2024
Balance, beginning of year	581,128	564,189
Accretion	10,387	16,939
Balance, end of year	591,515	581,128

Town of Fort Frances
Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

9. Tangible capital assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2025 Net book value</i>
Land & Land Improvements	6,184,367	-	-	1,774,339	4,410,028
Buildings	60,166,615	5,686,871	96,797	33,133,436	32,623,253
Vehicles	6,294,557	498,882	128,508	2,850,238	3,814,693
Office furniture and equipment	429,900	-	-	402,387	27,513
Machinery and equipment	17,345,461	817,184	49,508	9,736,324	8,376,813
Computer hardware and software	1,751,455	261,303	10,323	1,319,062	683,373
Assets under construction	143,058	(54,088)	-	-	88,970
Roads and bridges	76,860,754	2,719,076	-	45,349,982	34,229,848
Water Infrastructure	26,087,165	883,894	-	10,002,048	16,969,011
Landfill	475,517	-	-	402,981	72,536
Land held for sale	2,897	-	-	-	2,897
Sewer infrastructure	32,288,532	2,393,249	-	12,934,936	21,746,845
	228,030,278	13,206,371	285,136	117,905,733	123,045,780

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2024 Net book value</i>
Land & Land Improvements	6,184,367	-	-	1,609,238	4,575,129
Buildings	58,258,908	1,907,707	-	31,796,345	28,370,270
Vehicles	5,698,899	619,314	23,654	2,597,744	3,696,815
Office furniture and equipment	421,690	8,210	-	400,157	29,743
Machinery and equipment	16,221,594	1,123,867	-	8,704,464	8,640,997
Computer hardware and software	1,572,070	181,836	2,451	1,081,198	670,257
Assets under construction	377,668	(234,610)	-	-	143,058
Roads and bridges	74,797,397	2,063,357	-	43,733,949	33,126,805
Water Infrastructure	25,708,256	378,909	-	9,611,275	16,475,890
Landfill	475,517	-	-	394,921	80,596
Land held for sale	2,897	-	-	-	2,897
Sewer infrastructure	31,412,415	876,117	-	12,439,439	19,849,093
	221,131,678	6,924,707	26,105	112,368,730	115,661,550

Amortization expense of \$5,776,352 (2024 - \$5,578,780) was recorded in Amortization expense. Total amortization expense comprises \$1,404,734 amortization for buildings, \$381,002 for vehicles, \$1,082,504 amortization for machinery, equipment and furniture, \$248,186 amortization for Computer hardware and software, \$826,960 amortization for water and sewer infrastructure, \$1,659,806 amortization for roads, and \$173,160 for land improvements and the solid waste landfill.

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

10. Accumulated surplus

Accumulated surplus consists of the following:

	2025	2024
Investment in tangible capital assets		
Tangible capital assets	123,045,780	115,661,550
Land held for sale	1,297,664	1,349,664
	124,343,444	117,011,214
Operating surplus		
General operating	243,084	421,871
Business improvement area	45,505	73,621
	288,589	495,492
Other allocated deficits		
Asset retirement obligations	(2,676,137)	(2,605,033)
Employee future benefits	(97,132)	(111,443)
	(2,773,269)	(2,716,476)
Reserve Funds		
Waterworks projects	9,528,987	12,506,913
Replacement of vehicles and equipment	766,382	530,173
Library building	1,958,934	1,842,372
Landfill Closure	1,574,787	1,379,835
Parks and cemeteries	27,505	26,421
Corporate projects and contingencies	8,564,098	8,328,822
Cultural projects	42,252	40,588
Townsend theatre	165,243	158,733
	22,628,188	24,813,857
Working capital reserve	1,750,000	1,750,000
Investment in government business enterprises	6,897,005	6,743,049
	153,133,957	148,097,136

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes.

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

11. Government Transfers - Federal

	2025	2024
Operating		
FedNor	32,631	61,902
Other	31,979	17,666
<hr/>		
Total Federal operating transfers	64,610	79,568
Tangible Capital Assets		
Association of Municipalities of Ontario-Canada Community Building Fund	762,876	570,557
FedNor	177,526	162,761
Investing in Canada Infrastructure Program	288,993	292,770
Transport Canada	-	312,398
Other	138	1,715
<hr/>		
Total federal tangible capital asset transfers	1,229,533	1,340,201
<hr/>		
Total federal transfers	1,294,143	1,419,769

12. Government Transfers- Provincial

	2025	2024
Operating		
Ontario Municipal Partnership Fund	3,817,800	3,447,300
Ministry of Transportation	13,987	10,639
Ontario Senior's Secretariat	55,000	51,137
Ontario Provincial Police	151,864	136,838
Municipal Disaster Recovery Assistance	47,205	-
Mobile Crisis Response Team (MCRT) Enhancement	77,572	-
Other	69,356	68,036
<hr/>		
Total provincial operating transfers	4,232,784	3,713,950
Tangible Capital		
Ministry of Transportation	3,275,517	-
Northern Ontario Heritage Fund	580,338	1,066,477
Ministry of Infrastructure	740,287	953,914
Ministry of Agriculture, Food and Rural Affairs	-	276,732
Ministry of Northern Development, Mines, Natural Resources and Forestry	567,071	-
Other	39,720	58,265
<hr/>		
Total provincial tangible capital asset transfer	5,202,933	2,355,388
<hr/>		
Total provincial transfers	9,435,717	6,069,338

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

13. Other income

	2025	2024
Penalties and interest on taxes	174,513	160,112
Rents, concessions and franchises	169,394	180,937
Donations	189,375	323,020
Gain (loss) on disposal of tangible capital assets	(25,787)	(796)
Provincial offences	332,255	297,556
Gain (loss) on disposal of land held for sale	-	(123,154)
Insurance proceeds and other recoveries	28,876	18,106
	868,626	855,781

14. Related party transactions

The Municipality owns 100% of the common shares of Fort Frances Power Corporation. Fort Frances Power Corporation provides electricity and services to the Municipality. The following is a summary of the significant related party transactions for the year.

	2025	2024
Revenue from services provided to Fort Frances Power Corporation	51,094	34,222
Expenses for electricity purchased from Fort Frances Power Corporation	920,325	819,158
Other purchased services provided by Fort Frances Power Corporation	210,871	127,421

15. Operations of School Boards

	2025	2024
During the year the following taxation revenue was raised and remitted to the school boards	1,405,404	1,398,939

16. Budget

The Financial Plan (Budget) By-Law adopted by Council on March 24, 2025, was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated the use of surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to \$NIL. In addition, the budget expensed all tangible capital expenses rather than including amortization expense. As a result, the budget figures presented in the consolidated statement of operations and change in net financial assets represent the Financial Plan adopted by Council on March 24, 2025 with adjustments as follows:

Financial Plan (Budget) by-law deficit for the year	-
Add:	
Budgeted tangible capital asset additions	29,719,165
Less:	
Budgeted transfers from reserve funds	(9,333,746)
Budgeted amortization	(7,200,000)
Budget surplus per consolidated statement of operations	13,185,419

Town of Fort Frances
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025

17. Pension Agreement

The employees of the Municipality participate in the Ontario Municipal Employees Retirement System (OMERS). The Municipality also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Municipality is only one of a number of employers that participate in the plan and the financial information provided to the Municipality on the basis of the contractual agreements is usually insufficient to reliably measure the Municipality's proportionate share in the plan assets and liabilities

The contributions payable in exchange for services rendered during a period are recognized as an expense during that period. Contributions made by the Municipality to OMERS for 2025 were \$711,120 (2024 - \$705,310) for current services.

As at December 31, 2025, the OMERS plan was 99% (December 31, 2024 - 98%) funded and reported an actuarial funding deficit of \$1.3 billion (2024 - \$2.9 billion). OMERS has a strategy to return the plan to a fully funded position. The Municipality is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating Entities from the OMERS plan on its future contributions.

18. Trust Funds

The Trust Funds administered by the Municipality amounting to \$1,107,064 (2024 - \$1,100,923) have not been included on the consolidated statement of financial position nor have their operations been included on the consolidated statement of operations.

2025 **2024**

19. Contributions to Unconsolidated Boards

The following contributions were made by the Municipality to these Boards:

	2025	2024
Northwestern Health Unit	455,701	384,391
District of Rainy River Services Board	2,324,535	2,242,976
	2,780,236	2,627,367

20. Segments

The Corporation of the Town of Fort Frances is a diversified municipal government institution that provides a wide range of services to its citizens. Management of the Municipality considers decisions based on separate service areas. These service areas are general government, protection services, transportation services, environmental services, health services, social and family services, social housing, recreation and cultural services and planning and development.

Descriptions of the services and funds that management bases their decisions on, are as follows:

General Government

General government consists of governance, Corporate management and program support. These categories relate to operations of all of the various programs and services that the Municipality offers to its citizens.

Protection Services

Protection is comprised of police service and fire protection. Police Service is contracted out to the Ontario Provincial Police. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires.

Transportation Services

The transportation services area provides construction and maintenance of the roadways throughout Municipality as well as the municipal airport.

Environmental Services

Environmental services consist of the management and maintenance of the sanitary sewer system, waterworks system and waste disposal facility located within the municipal borders.

Health Services

Health Services are comprised of public health services and ambulance service. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social and Family Services

Social and Family Services are comprised of general assistance, child care and assistance to the aged. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social Housing

The Municipality contributes to a local board, which provides social housing if the citizens of the Corporation of the Town of Fort Frances require the service.

Recreation and Cultural Services

This service area consists of the operation and maintenance of local parks, recreation facilities, cultural facilities and the town library.

Planning and Development

These services relate to zoning issues as well as planning of various municipal maintenance projects.

Town of Fort Frances
Schedule 1 - Schedule of Consolidated Expenses by Object
For the year ended December 31, 2025

	2025	2024
Consolidated expenses by object		
Salaries and benefits	10,397,958	10,012,318
Materials	4,731,746	4,580,908
Contracted services	5,990,922	5,010,500
Rents and financial	2,582,170	1,668,571
External transfers	3,249,162	3,047,099
Amortization	5,776,352	5,578,780
	32,728,310	29,898,176

Town of Fort Frances
Schedule 2 - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2025

	General Government	Protection Services	Transportation Services	Environmental services	Health Services	Social and family services	Social Housing	Recreation and Cultural Services	Planning and Development	2025
Revenue										
Property Taxes	2,100,518	2,121,949	320,410	3,031,669	2,378,809	134,377	1,956,603	2,022,013	216,706	14,283,054
User fees and service charges	105,903	43,690	772,963	7,697,622	72,456	56,399	-	1,162,209	146,949	10,058,191
Other revenue	396,192	400,236	60,435	547,641	448,684	49,529	369,048	381,386	40,875	2,694,026
Unconditional grants	561,460	567,188	85,644	787,761	635,846	58,509	522,992	540,475	57,925	3,817,800
Conditional grants	8,738	546,467	5,275,106	14,663	-	61,920	-	795,009	210,157	6,912,060
	3,172,811	3,679,530	6,514,558	12,079,356	3,535,795	360,734	2,848,643	4,901,092	672,612	37,765,131
Expenses										
Salaries and benefits	1,786,558	1,833,605	2,124,024	1,652,405	263,662	43,534	-	2,608,569	85,601	10,397,958
Materials	697,292	262,000	1,043,466	1,370,432	82,020	55,363	-	1,115,629	105,544	4,731,746
Contracted services	121,906	3,120,945	596,003	1,570,446	6,464	9,794	-	284,688	280,676	5,990,922
Rents and financial	1,816,954	37,798	148,020	301,059	-	9,693	-	257,339	11,307	2,582,170
External transfers	114,000	31,747	-	31,581	1,619,270	201,621	1,027,345	-	223,598	3,249,162
	4,536,710	5,286,095	3,911,513	4,925,923	1,971,416	320,005	1,027,345	4,266,225	706,726	26,951,958
Net revenue, before amortization	(1,363,899)	(1,606,565)	2,603,045	7,153,433	1,564,379	40,729	1,821,298	634,867	(34,114)	10,813,173
Amortization	285,170	122,624	2,097,783	2,035,532	23,377	49,827	-	1,162,039	-	5,776,352
Net revenue	(1,649,069)	(1,729,189)	505,262	5,117,901	1,541,002	(9,098)	1,821,298	(527,172)	(34,114)	5,036,821

Town of Fort Frances
Schedule 2 - Consolidated Schedule of Segmented Disclosure

For the year ended December 31, 2025

	<i>General Government</i>	<i>Protection Services</i>	<i>Transportation Services</i>	<i>Environmental services</i>	<i>Health Services</i>	<i>Social and family services</i>	<i>Social Housing</i>	<i>Recreation and Cultural Services</i>	<i>Planning and Development</i>	<i>2024</i>
Revenue										
Property Taxes	2,661,828	2,201,465	1,804,048	2,917,559	897,998	142,233	1,406,079	1,781,377	269,948	14,082,535
User fees and service charges	115,182	55,644	700,526	7,333,464	69,537	49,626	-	944,844	187,754	9,456,577
Conditional grants	-	214,987	1,963,648	14,469	10,646	58,205	-	1,555,897	223,955	4,041,807
Unconditional grants	651,596	538,902	441,617	691,606	219,823	57,409	344,198	436,068	66,081	3,447,300
Other revenue	476,742	394,288	323,110	498,359	160,834	49,657	251,833	319,049	48,348	2,522,220
	3,905,348	3,405,286	5,232,949	11,455,457	1,358,838	357,130	2,002,110	5,037,235	796,086	33,550,439
Expenses										
Salaries and benefits	1,759,152	1,661,478	2,045,454	1,472,571	280,136	53,915	-	2,590,674	148,938	10,012,318
Materials	648,917	231,903	1,053,125	1,138,439	57,324	60,889	-	1,188,287	202,024	4,580,908
Contracted services	116,870	2,827,203	386,854	1,191,495	7,551	7,065	-	234,180	239,282	5,010,500
Rents and financial	690,965	44,475	249,448	444,079	-	6,200	-	211,865	21,539	1,668,571
External transfers	118,650	6,347	-	41,446	1,549,052	182,017	964,298	-	185,289	3,047,099
	3,334,554	4,771,406	3,734,881	4,288,030	1,894,063	310,086	964,298	4,225,006	797,072	24,319,396
Net revenue, before amortization	570,794	(1,366,120)	1,498,068	7,167,427	(535,225)	47,044	1,037,812	812,229	(986)	9,231,043
Amortization	295,783	117,440	2,051,039	1,928,459	23,093	50,090	-	1,112,876	-	5,578,780
Net revenue	275,011	(1,483,560)	(552,971)	5,238,968	(558,318)	(3,046)	1,037,812	(300,647)	(986)	3,652,263